



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 7 DECEMBER 2022

Report of the Director - Finance and ICT

STEWARDSHIP REPORT

1. Purpose

1.1 To provide the Pensions and Investments Committee with an overview of the stewardship activity carried out by Derbyshire Pension Fund's (the Fund) external investment managers in the quarter ended 30 September 2022.

1.2 To note the Fund's submission to the Department for Levelling Up, Housing & Communities' consultation on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures.

2. Information and Analysis

2.1 Stewardship Activity

This report attaches the following two reports to ensure that the Pensions and Investments Committee is aware of the engagement activity being carried out by Legal & General Investment Management (LGIM) and by LGPS Central Limited (the Fund's pooling company) (LGPSC):

- Q3 2022 LGIM ESG Impact Report (Appendix 2)
- Q2 2022/23 LGPSC Quarterly Stewardship Report (Appendix 3).

LGIM manages around £1.7bn of assets on behalf of the Fund through passive products covering: UK Equities; Japanese Equities; Emerging Market Equities; and Global Sustainable Equities. LGPSC currently manages around £0.8bn of assets on behalf of the Fund through its All-World Equity Climate Multi Factor Fund, Global Active Emerging Market Equities Sub-Fund, Global Active Investment Grade Corporate Bond Multi Manger Sub-Fund and Credit Partnership II (Private Debt) Fund. It is expected that LGPSC will manage a growing proportion of the Fund's assets going forward as part of the LGPS pooling project.

These two reports provide an overview of the investment managers' current key stewardship themes and voting and engagement activity.

2.2 DLUHC Consultation Submission

The Department for Levelling Up, Housing & Communities (DLUHC) launched a consultation on 1 September 2022 seeking views on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The deadline for consultation submissions was 24 November 2022. A copy of the DLUHC consultation document is attached at Appendix 4.

The Fund has proactively reported on its management of climate-related risks and opportunities for a number of years. The Fund published a Climate Strategy in November 2020, which includes support for the ambitions of the Paris Agreement and the aim to achieve a portfolio of assets with net zero emissions by 2050. The Fund has also set initial decarbonisation and sustainable investment targets. The Fund published its first TCFD in March 2020, followed by a second TCFD Report in November 2021. The Fund expects to publish its third TCFD Report in early 2023.

LGPS Central Limited formulated a response from the pooling company that all Partner Funds could also potentially use. Whilst the Fund concurs with a sizeable proportion of LGPSC's response, a Fund response has been prepared to reflect the fact that Derbyshire County Council as the Administering Authority for the Derbyshire Pension Fund is responsible for the Fund's governance, strategies, policies and assets.

The Fund also had sight of several other submissions, including the submissions of the Local Authority Pension Fund Forum and of the Scheme Advisory Board, which were considered during the formulation of the Pension Fund's response.

A copy of the Fund's consultation response is attached at Appendix 5. Submission of the response was approved by both the Director of Finance & ICT and the Chair of the Pensions and Investments Committee.

3. Implications

3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

4.1 Papers held in the Investment Section.

5. Appendices

5.1 Appendix 1 – Implications

5.2 Appendix 2 – Q3 2022 LGIM ESG Impact Report.

5.3 Appendix 3 – Q2 2022/23 LGPSC Quarterly Stewardship Report.

5.3 Appendix 4 – DLUHC Consultation on Governance and Reporting of Climate Change Risks

5.4 Appendix 5 – Derbyshire Pension Fund Consultation Submission

6. Recommendation(s)

That Committee:

- a) notes the stewardship activity of LGIM and LGPSC.
- b) notes the Fund's response to the DLUHC consultation on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the TCFD.

Report Author: Neil Smith

Contact details: neil.smith2@derbyshire.gov.uk

Implications

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None